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Controller Unveils Second Round of Reforms to the State's Unclaimed Property Laws

Legislation Will Restore Interest, Speed up Payments and Protect Accounts

SACRAMENTO – Expanding on reforms enacted in this year's budget that ensure individuals are quickly reunited with their lost and abandoned cash, securities and other valuables, Controller John Chiang today unveiled additional legislation to further benefit California unclaimed property owners.

Chiang is sponsoring legislation to be authored by Sen. Michael Machado (D-Linden) to restore paying interest on unclaimed property sent to the State, a practice that ended in 2003. Under the bill, the State will pay simple interest at the 13-week Treasury bill rate from the time the property is received. The measure also will reduce from 180 days to 90 days the maximum time the State Controller's Office has to process claims, and enable the Controller to preserve property deemed to have no commercial value for seven years. The legislation would ban financial institutions from sending safe deposit box items to the State if the owner has another active account with the financial institution, and require banks to inform customers when they open a safe deposit account that the contents may be sent to the State after three years of inactivity.

"When the Legislature passed and the Governor signed SB 86 to do away with many of the laws, roadblocks and red tape that obstructed my office from reuniting Californians with their property, I pledged to continue working on reforms that benefit owners of unclaimed property," Chiang said. "This new bill takes consumer protection to the next level by cutting in half the time it takes my office to process claims, restoring interest, and elevating the responsibilities of banks and financial institutions to preserve cash, valuables, and safe deposit box items that rightfully belong to their customers."

Enacted last summer, SB 86 requires the state to send notification to owners before accepting property for safekeeping. This year's reform measure proposes to build on that effort by requiring holders to also make attempts to contact their customers prior to transferring the property to the State. The bill also requires financial institutions to inform customers when they open any account that their property may be subject to the unclaimed property law.

"It is the State's responsibility to re-unite unclaimed property with its rightful owner and this bill will give the State Controller additional tools through which he will be able to find those owners in a timely manner," stated Senator Machado.

When Controller Chiang took office in January 2007, state law required the Controller to sell safe deposit box contents and dispose of items that had no apparent commercial value. Chiang

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immediately implemented a “no notice, no sale” policy that prevented staff from disturbing property until restrictions on notifying owners could be lifted.

With the passage of SB 86, the Controller was authorized to hold onto all safe deposit box items for at least 18 months. But the new bill will further protect items of sentimental value, such as family heirlooms, photos, souvenirs, and personal papers, by allowing the Controller to hold property of no apparent commercial value for seven years.

California enacted the Unclaimed Property Law in 1959 to safeguard private property from being lost during mergers or bankruptcies, drawn down by service or storage fees, or simply used by private interests for personal gain – either through an unwillingness to find the owner or greed.

While there are more than 600,000 companies subject to the unclaimed property law that conduct business in California, only 16,000 report unclaimed property to the Controller’s Office. Through this legislation, the Controller seeks to protect owner’s property by imposing stricter rules on banks, financial institutions and other businesses that fail to comply with the Unclaimed Property Law.

The legislation includes civil penalties of \$200 per day, up to \$10,000, on businesses that fail to report unclaimed property. Businesses that willfully refuse to report, pay or deliver unclaimed property to the State will face increased civil penalties of \$1,000 for each day, up to \$25,000.

Current law generally provides that businesses must send lost or abandoned property to the State after three years of account inactivity. The Controller is currently talking with legislators about lengthening the period of inactivity to give owners more time to notify businesses of their intent to maintain their accounts, while balancing the impact of storage fees and penalties on the value of the accounts.

Californians are encouraged to search for and claim their unclaimed property at www.sco.ca.gov.

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